

Message Text

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ACTION NEA-10

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 7644

C O N F I D E N T I A L SECTION 1 OF 2 DACCA 3806

EO 11652: GDS

TAGS: EAID, ECON, EINV, PGOV, PINT, PFOR, PORG, UN, BG

SUBJ: CONVERSATION WITH PRESIDENT MUJIBUR RAHMAN

SUMMARY. IN MY MEETING WITH PRESIDENT MUJIB YESTERDAY, HE THANKED US PROFUSELY FOR CURRENT U.S. FOOD ASSISTANCE WHICH WAS ENABLING HIM TO GIVE HIS FULL ATTENTION TO OTHER GOVERNMENT ACTIVITIES; CLARIFIED FOR ME SOME OF HIS THINKING ABOUT HIS COMPULSORY COOPERATIVES, AN AREA IN WHICH HE PLANS TO GO SLOWLY, AND ABOUT THE BAKSAL PARTY, WHICH EVIDENTLY WILL BE LEAN IN NUMBERS AT THE TOP AND MASSIVE IN THE FRONT ORGANIZATIONS AT THE BASE; AND LISTED TO MY POINTS ABOUT THE UNITED NATIONS WITHOUT MUCH COMMENT EXCEPT CRITICAL REFERENCES TO ISRAEL AND THE NEED FOR US TO PUSH THEM MORE STRONGLY THAN HE THINKS WE HAVE. HE SPOKE POSITIVELY ABOUT THE NEED TO SETTLE CLAIMS OF U.S. COMPANIES FOR THEIR NATIONALIZED ASSETS, INDICATING THAT HE HAD JUST REQUESTED A FULL REPORT FROM TWO OF HIS MINISTERS ON THIS ISSUE. END SUMMARY.

1. I HAD REQUESTED MEETING YESTERDAY FOR PURPOSE OF KEEPING IN PERIODIC TOUCH WITH PRESIDENT. RECEIVING ME ALONE FOR A HALF-HOUR'S CONVERSATION, MUJIB TOUCHED ON THE FOLLOWING POINTS:

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2. U.S. ASSISTANCE. REFLECTING REPORTS WE HAD RECEIVED THAT THE BDG WAS PARTICULARLY PLEASED BY U.S. PERFORMANCE AT JUNE BANGLADESH-AID GROUP MEETING IN CONTRAST WITH THEIR DISPLEASURE WITH ATTITUDE OF SOME OF THE OTHER DONORS, PRESIDENT SPENT FIRST MINUTES EFFUSIVELY THANKING ME FOR GENEROUS U.S. ASSISTANCE, ESPECIALLY IN FOODGRAINS. "I AM VERY GRATEFUL, REALLY SINCERELY GRATEFUL", HE SAID,

"AND ASK YOU TO CONVEY MY GRATITUDE TO YOUR GOVERNMENT." HE SAID THAT OUR ASSISTANCE HAD ENABLED HIM TO CONCENTRATE ON OTHER IMPORTANT GOVERNMENT ACTIVITIES WITHOUT BEING DISTRACTED BY WORRIES ABOUT WHERE THEIR FOOD WAS COMING FROM. HE SAID HE HAD BEEN USING THE ARMY TO ENSURE DELIVERY OF FOODGRAIN SUPPLIES TO THE COUNTRYSIDE--HE SAID HE WANTED TO AVOID CONCENTRATING STOCKS IN ANY ONE AREA, SUCH AS DACCA, CHITTAGONG OR KHULNA-- AND WAS TRYING TO GET SIZEABLE AMOUNTS INTO GODOWNS IN ALL THE RURAL AREAS FOR USE AGAINST POSSIBLE EMERGENCIES. I REPORTED THAT HIS AND OUR PEOPLE WERE NOW NEGOTIATING THE FIRST OF THIS YEAR'S PL-480 AGREEMENTS CALLING FOR DELIVERY OF 400,000 TONS OF FOODGRAINS AND 15,000 TONS OF VEGETABLE OIL, AND HE COMMENTED THAT THIS MEANT OUTLOOK WAS ALSO GOOD FOR NEXT YEAR.

3. COMPULSORY COOPERATIVES. THE PRESIDENT INITIATED THE CONVERSATION ON COMPULSORY COOPERATIVES, NOTING THAT HE WANTED TO SET UP 61 SUCH COOPERATIVES IN EACH OF THE 61 DISTRICTS THIS COMING YEAR. HE WAS NOT CERTAIN THAT THERE WOULD BE ANY FURTHER COOPERATIVES ESTABLISHED NEXT YEAR AS HE FELT IT MIGHT TAKE AT LEAST TWO YEARS TO DEMONSTRATE THE VIRTUES OF THESE COOPERATIVES TO THE PEASANTRY. HE SAID HE DID NOT WISH TO FORCE BANGLADESHPEASANTS INTO THE COOPERATIVES BUT FELT THAT, IF THE FIRST 61 WAS A SUCCESSFUL AS HE THOUGHT THEY WOULD BE, PESANTS WOULD BE EAGER TO JOIN IN COMING YEARS TO SHARE IN THEIR BENEFITS. WHEN I SAID I HAD HEARD CONFLICTING RECPORTS WHETHER BDG WOULD RECEIVE ANY OF THE INCOME FROM THE FARMS, THE PRESIDENT EXPLAINED THAT THE GOVERNMENT WOULD BE PAID FOR FERTILIZERS AND OTHER INPUTS SUPPLIED TO THE FARMS AND WOULD ALSO RECIEVE AN ADDITIONAL TWO PERCENT OF THE PROFIT FROM THE FARM. THIS TWO PERCENT

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WOULD BE SUPPLIED TO THE GOVERNMENT IN FOODGRAINS AND WOULD BE USED FOR GENERAL DEVELOPMENT PURPOSES. IN ADDITION, THE FARMS WOULD ALSO BE EXPECTED TO SET ASIDE SOME OF THEIR PROFITS FOR THEIR OWN SPECIAL NEEDS. HE SAW THESE FARMS EVENTUALLY DEVELOPING INTO ADMINISTRATIVE UNITS AT THE RURAL LEVEL, COMBINING NOT ONLY THE BASIS FARMS BUT FISHERIES AND OTHER ACTIVITIES. WHEN I NOTED THAT FARMERS WERE GENERALLY A CONSERVATION GROUP WHO DID NOT ALWAYS LIKE CHANGE, THE

PRESIDENT SAID THIS WAS ALSO TRUE OF BANGLADESH PEASANTS AND IT WAS FOR THIS REASON THAT HE DID NOT WISH TO FORCE THEM ON TO THESE FARMS. HE RECALLED HIS TRIP TO CHIAN IN 1957 AND HIS VISITS TO CHINESE FARMS WHERE HE AD TOLD HIS HOSTS THAT THEIR SYSTEM, INVOLVING THE BREAKING UP OF FAMILIES WOULD NEVER WORK IN HIS COUNTRY.

4. BAKSAL AND MUJIB'S POLITICAL VIEW. REPLYING TO MY QUESTION ABOUT HOW LARGE A PARTY HE ENVISAGED, THE PRESIDENT SAID THAT THE "CONTROLLING PARTY" WOULD BE LIMITED IN NUMBERS, AS HE WANTED TO BE SURE OF THE BANGALEE "NATIONALISM" OF THE MEMBERSHIP. HOWEVER, THE FRONTS UNDER THE PARTY WOULD INDIID BE MASS ORGANIZATIONS WITH VERY LARGE MEMBERSHIPS. THE PRESIDENT WAS DIVERTED BY THIS DISCUSSION INTO A PRTESTATION AGAIN THAT HE WAS NOT A MARXIST. "I AM NOT A MARXIST. I AM A SOCIALIST, BUT A SOCIALIST IN MY OWN WAY. I WANT TO BE FRIENDS WITH ALL COUNTRIES BUT I DON'T WANT ANY COUNTRY TO THINK IT CAN TELL ME WHAT TO DO. I WANT TO BE GOOD FRIENDS WITH THE UNITED STATES AND WITH RUSSIA, BUT I DON'T WANT TO BE THE AGENT OF EITHER RUSSIA OR THE UNITED. HE SAID THIS EXPLAINED WHY HE HAD SPOKEN AS HAD AT A RECENT MEETING TO WARN FOREIGN REPRESENTATIVES HERE NOT TO ABUSE BANGLADESH'S HOSPITALITY WITH ATTACKS ON OTHER COUNTRIES. I SAID I HAD NOTED THIS STATMENT WITH APPRECIATION AND HAD FELT THAT IT HAD BEEN TIME FOR SOME SUCH ACTION. MUJIB SAID: "YES SOME PEOPLE HAD GONE TOO FAR."

5. BDG ECONOMIC REFORMS. I SAID WE HAD BEEN PLEASED BY THE EXCHANGE RATE ACTION AND OTHER ECONOMIC REFORM MEASURES HIS GOVERNMENT HAD TAKEN IN RECENT MONTHS IN ACCORDANCE WITH IMF RECOMMENDATIONS AND NOTED THAT RESULTS OF THESE STEPS HAD APPARENTLY BEEN FAVORABLE, WITH COST OF LIVING HOLDING STEADY AND ON SOME ITEMS DECLINING. THE PRESIDENT
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SAID HE HAD ALSO BEEN WELL SATISFIED WITH THE WAY THESE ACTIONS HAD TURNED OUT BUT NOTED THAT OUR FOODGRAIN DELIVERIES HAD BEEN IMPORTANT IN MAKING THIS SUCCESS POSSIBLE. HE AGREED WITH MY OBSERVATIONS THAT HIS ECONOMIC SITUATION APPEARED MUCH ICMPROVED OVER LAST YEAR.

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

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6. CORRUPTION. DISCUSSION OF THE NEW REDISTRICTING SYSTEM LED MUJIB INTO A DISCUSSION OF HIS EFFORTS TO CURB CORRUPTION WHICH HE SIAD WAS ONE OF HIS MOST PRESSING PREOCCUPATIONS. HE SAID HE HAD TOLD HIS POLICE AND SECURITY OFFICIALS TO SPEND 60 PERCENT OF THEIR TIME ON ROOTING OUT CORRUPTION; NOT TO BOTHER ABOUT REPORTING TO HIM THE POLITICAL VIEWS OF THIS OR THAT OFFICIAL BUT TO FIND OUT WHETHER HE WAS INVOLVED IN CORRUPTION AND NEPOTISM OR NOT. HE SAID HE FELT HE HAD MADE SOME HEADWAY IN THIS RESPECT AND THAT ALTHOUGH THERE WERE TWO OR THREE BAD AREAS, THE SITUATION WAS IMPROVED.

7. COMPENSATION FOR NATIONALIZED ASSETS. I TOLD MUJIB THAT I HAD SPOKEN RECENTLY TO HIS MINISTERS OF INDUSTRIES AND COMMERCE ABOUT OUR LONGSTANDING PROBLEM OF COMPENSATION FOR AMERICAN COMPANIES WHOSE ASSETS HAD BEEN NATIONALIZED, A PROBLEM WHICH WAS QUITE SMALL IN DOLLAR TERMS BUT WHICH WAS UNFORTUNATELY MAKING IT IMPOSSIBLE TO PROMOTE THE RIGHT CLIMATE FOR INVESTMENT. MUJIB SAID HIS MINISTER OF COMMERCE HAS REPORTED TO HIM ABOUT OUR CONVERSATION AND TOLD ME HE HAD ASKED THE MINISTERS FO COMMERCE AND INDUSTRY TO GIVE HIM A FULL REPORT ON WHAT WAS INVOLVED. THEY WOULD HAVE A PROBLEM, HE SAID, WITH RESPECT TO ANY PROPERTIES IN WHICH THERE HAD BEEN PAKISTANI OWNERSHIP BUT HE FLET IT IMPORTANT THAT AMERICAN OWNERS SHOULD RECEIVE COMPENSATION. HE NOTED CONFIDENTIAL

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THAT THE TWO OR THREE MILLION DOLLARS INVOLVED WAS NOTHING COMPARED TO THE MILLIONS AND MILLIONS OF DOLLARS' WORTH OF AID WE WERE GIVING BANGLADESH, BUT THAT THE PRINCIPAL OF REPAYMENT WAS IMPORTANT BOTH TO US AND TO THEM. I SAID

THIS PRECISELY DESCRIBED OUR OWN VIEW.

8. I TOLD MUJIB OF MY DISCUSSION WITH FOREIGN SECRETARY OF SECRETARY KISSINGER'S JULY 14 SPEECH ON THE U.N. AND THE U.S. POSITION AT THE SEVENTH SPECIAL SESSION OF UNGA, AND TOLD HIM I WOULD LEAVE A COPY OF THE SPEECH WITH HIS PRIVATE SECRETARY IF HE HAD A FEW MINUTES TO GO OVER IT. I MADE SOME OF THE POINTS IN STATE'S 170841, EMPHASIZING THAT WE TOOK A VERY CONSTRUCTIVE VIEW OF FUTURE U.N. WORK, INCLUDING COOPERATIVE EFFORTS BETWEEN DEVELOPED COUNTRIES AND DEVELOPING ONES LIKE BANGLADESH, BUT THAT WE WERE CONCERNED ABOUT SPIRIT OF CONFRONTATION AND THE PHENOMENON OF BLOC VOTING WHICH THREATENED THE UN'S USEFULNESS. I NOTED IN THIS CONNECTION THAT WE WOULD NOT TAKE LIGHTLY THE EXPULSION OF ISRAEL FROM THE GENERAL ASSEMBLY. MUJIB SAID HE WOULD "READ EVERY WORD" OF THE SECRETARY'S SPEECH. HE SAID THAT WHILE NO ONE WISHED TO DISRUPT THE UNITED NATIONS OR FORCE COUNTRIES FROM ITS MEMBERSHIP, SOMETHING HAD TO BE DONE TO MAKE ISRAEL ABIDE BY UN RESOLUTIONS. HE HOPED OUR BILATERAL EFFORTS WOULD SUCCEED IN REMOVING THIS PROBLEM AND SAID WE SHOULD DO MORE "TO FORCE ISRAEL TO GIVE UP THE OCCUPIED LANDS." I SAID WE COULD NOT FORCE EITHER SIDE TO PARTICULAR ACTIONS AND BELIEVED THAT CONCILIATORY EFFORTS WERE NECESSARY FROM ALL PARTIES; AND THAT IN ANY CASE ISRAEL'S EXPULSION FROM THE UN COULD NOT HELP WITH THAT BUT COULD ONLY HAVE HARMFUL CONSEQUENCES. MUJIB SAID HE AGREED BUT STILL FELT WE HAD THE POSSIBILITY OF INFLUENCING ISRAEL'S ACTIONS.

9. COMMENT. THE PRESIDENT'S MOOD WAS GOOD AND, WHILE HE HAS ALWAYS BEEN FRIENDLY IN HIS CONVERSATION WITH US, HE WAS EVEN WARMER THAN USUAL YESTERDAY. I TAKE THIS TO BE A REFLECTION OF HIS APPRECIATION FOR OUR LARGE AID DELIVERIES AND HIS PERCEPTION THAT WE HAVE BEEN MORE SYMPATHETIC TO HIS REQUESTS OVER RECENT MONTHS THAN HIS OTHER DONORS (NOTABLY THE SOVIET UNION BUT ALSO INCLUDING SOME WESTERN CONFIDENTIAL

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COUNTRIES). PROBABLY IN PART AS A RESULT OF THIS, HE HAS AGAIN SHOWN HIMSELF SENSITIVE ABOUT HOW HE MAY APPEAR TO US IN THE LIGHT OF THE CHANGES HE HAS BEEN MAKING IN BANGLADESH'S POLITICAL SYSTEM. HIS REPETITION OF THE THEME THAT HE IS NOT A MARXIST, HIS INSISTENCE THAT NO OTHER POWER CAN TELL HIM WHAT TO DO, AND HIS VOLUNTEERED CRITICISM OF COMMUNIST CHINA'S FARM SYSTEM ALL SEEMED INTENDED TO EASE OUR MINDS ABOUT THE POLITICAL DIRECTION HE IS TAKING.
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